

THE BOARD OF DIRECTORS
OF DOMINION STORES LIMITED PRESENTS
THE 57TH ANNUAL REPORT TO THE SHAREHOLDERS



FISCAL YEAR ENDED MARCH 19, 1977



TRULY CANADIAN



A Special Report to Employees of Dominion

A Management Philosophy—

Since its inception, Dominion Stores Limited has recognized that the key to successful integration and acceptance in the Canadian marketplace, is to assure that the enterprise remains consistently relevant to the individual community it serves; that its policies and procedures reflect the tangible needs of the consuming public—as well as provide the opportunity for the personal development and security of its employees.

The successful growth of Dominion over 57 years, to the rank of Canada's single largest retail enterprise, can be directly attributed to the many thousands of loyal, dedicated and talented men and women who comprise one of the finest examples of trained human resources in the Canadian retailing industry.

At all levels, the present organization of Dominion employees, up to and including the most senior levels of Corporate Management, has largely resulted through a long-held progressive philosophy of development of people from within its own ranks. The future offers unlimited scope and challenge to our 26,000 enterprising people, whose average age for the full-time employees at the present time is 34 years. Progression through the ranks, which has been a Dominion tradition, has had a marked influence on the stability of our corporate growth in the

past and augers well for the retention of those basic principles of service and courtesy which have been so markedly endorsed by the shopping public.

Examples are many throughout Dominion, of this Management development and the long-service loyalty it represents. For instance, the 535 employees who are now members of the Company's Quarter Century Club and whose combined tenure to date represents over 13,000 years of service and personal fulfillment, exemplify the spirit of Dominion.

Among its members are the three Senior Officers who appear on the page opposite—Mr. John A. McDougald, Chairman of the Board, flanked by Mr. Thomas G. McCormack, Deputy Chairman of the Board (extreme left) and myself, whose combined service with the Company exceeds 120 years.

Individual opportunities for advancement continue to abound throughout the organization, within the spectrum of the more than 200 different job classifications necessary to the operation. This is clearly exemplified in our Key Personnel group, now numbering over 770 highly trained people, averaging 38 years of age and 15 years of service. The people in this key group range from Store Managers and Specialists to Corporate Officers of many talents and training.

The future progress of the Company presents an optimistic outlook during an era of severe economic pressures. Over its history as a Truly Canadian enterprise, Dominion has successfully and instinctively responded to the challenge of anticipating and adapting to regional differences and preferences of the consuming public in the seven Provinces in which we operate—namely, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Newfoundland.

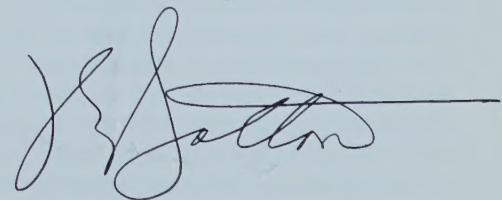
We will continue to respond to the marketplace with confidence in the inherent personal characteristics of Dominion people, who form such a fundamental part of the over 160 individual communities in which they live—and proudly serve.

It is with considerable pride that we present in this year's Annual Report a pictorial display with its special emphasis on the involvement of our people as well as an insight into some other facets which help to make Dominion a good place to work—and shop.

On behalf of your Board of Directors and Company Officers, I wish to express my sincere appreciation to my fellow employees for your loyalty, enthusiastic support and keen application of the Company's policies during the past year.

Thank you.

Sincerely



Thomas G. Bolton
President and Chief Executive Officer

Toronto, Canada
July 12, 1977

**Product Presentation—
Essential to Success**

- 60 million individual products on shelves
- Merchandising efficiency for our suppliers
- Planning for the future

Innovative Interior, Nun's Island, Verdun, P.Q.

St. Jerome, P.Q., an expansive new Dominion



Our success, as Canada's single largest retail food distributor, carries with it a high degree of responsibility to the many thousands of manufacturers, processors and growers of Canada, whose products we proudly display and sell in our stores. Our long association with and partnership in the efficient presentation of the 'famous names' in the food and related industries, is a distinct measure of pride at Dominion.

At any given time, in excess of 60 million individual packaged units of merchandise are on display on the shelves of 377 Dominion stores. It is a colourful presentation of products, in a quality and variety which is second to none in the world . . . and a tribute to the ingenuity of our suppliers, who depend on the Dominion team as a major sales force, in the Canadian marketplace. Fundamental to the present and future successful planning of Dominion,

will be continuing research into the requirements of store facilities and in-store departments—with respect to keeping pace with changing eating habits and life-styles, with special emphasis on convenience and specialty foods.

CONTENTS

Highlights	2
Directors and Management	3
Report to Shareholders	4
Financial Statements	8
Auditors' Report	13
Ten Year Financial Summary	14
Ten Year Statement of Earnings	15
Directors—Affiliations	16

Shareholders' Auditors

Coopers & Lybrand, Toronto

Bankers

Bank of Montreal

Banque Canadienne Nationale

Banque Provinciale du Canada

Canadian Imperial Bank of
Commerce

The Bank of Nova Scotia

The Royal Bank of Canada

The Toronto-Dominion Bank

First National Bank, Palm Beach

Transfer Agents

Crown Trust Company,
Toronto, Montreal and Vancouver

Canada Permanent Trust Company,
Halifax and Saint John

Bankers Trust Company, New York

Registrars

Crown Trust Company,
Toronto, Montreal and Vancouver

Canada Permanent Trust Company,
Halifax and Saint John

Bankers Trust Company, New York

The Annual Meeting of Shareholders will be held in the Canadian Room at the Royal York Hotel, 100 Front Street West, Toronto, on Thursday, the 4th day of August, 1977 at the hour of 11:00 a.m. (Toronto time).

Version française—On peut obtenir un exemplaire français du présent Rapport annuel en s'adressant au Secrétaire de la Compagnie, 605 Rogers Road, Toronto, Ontario M6M 1B9.

COMPARATIVE HIGHLIGHTS

	For the years ended	
	March 19, 1977 (52 Weeks)	March 20, 1976 (52 Weeks)
Net Earnings	\$ 16,198,053	\$ 20,436,669
per dollar of sales . . . . .	.80¢	1.06¢
per share of common stock	\$ 1.90	\$ 2.40
Sales	\$2,026,487,592	\$1,913,985,592
(An increase of \$112,502,000 or 5.88%)		
Dividends	\$ 7,749,714	\$ 8,596,361
per share of common stock	\$.91	\$ 1.01
Working Capital	\$ 48,122,939	\$ 52,304,241
Ratio of Current Assets to Current Liabilities	1.51	1.62
Total Reinvested Earnings	\$ 109,484,833	\$ 101,036,494
Shareholders' Equity	\$ 130,868,147	\$ 122,382,646
Number of Stores at End of Year	377	387
Ground Floor Area—Retail (square feet)	6,917,561	6,789,830

DIRECTORS AND MANAGEMENT

Directors

*JOHN A. McDOUGALD
*Chairman of the Board and
Chairman of the Executive Committee*

†*THOMAS G. McCORMACK
Deputy Chairman of the Board

LEWIS H. M. AYRE
G. MONTEGU BLACK
†*A. BRUCE MATTHEWS

†*ALEX E. BARRON
*THOMAS G. BOLTON
*MAXWELL C. G. MEIGHEN
MITCHELL L. WASIK

*STEWART G. BENNETT
PIERRE PAUL DAIGLE
†ANDRE MONAST Q.C.

*Executive Committee

†Audit Committee

Corporate Management

THOMAS G. BOLTON
President and Chief Executive Officer

ALLEN C. JACKSON
Executive Vice-President

W. FRANK CAPSTICK
*Senior Vice-President,
Retail Operations*

ALLISTER M. MACDONALD
*Vice-President,
Real Estate and Development*

RICHARD J. O'BRIEN
Vice-President, Advertising

JOHN C. TOMA
Vice-President, Merchandising

A. WILLIAM TOMLIN
Vice-President, Administration

JOHN R. MORRISON
General Counsel

MITCHELL L. WASIK
Secretary

KENNETH E. WESTLIN
Comptroller

Divisional Management

REAL BROUILLETTE
Quebec

RONALD C. HYNE
Hamilton, South-Western Ontario

JAMES A. MALCOLM
Toronto Districts

JOHN PANDER
Western Canada, North Central and Eastern Ontario

GILBERT VIENNEAU
Atlantic Provinces

District Management

CARL F. ARMSWORTHY
St. John's, Nfld.

JOHN N. CAMPBELL
Toronto, Ontario

FERNAND DAVID
Montreal, Quebec

JAMES F. EARLE
Halifax, N.S.

WILLIAM J. GIBB
Toronto, Ontario

FRANCOIS GIRARD
Quebec, Quebec

BARRY HAGAN
Sudbury, Ontario

ELTON C. HAINES
Saint John, N.B.

EDWARD C. KERR
Winnipeg, Manitoba

ROBERT LAMOUREUX
Montreal, Quebec

RAYMOND LUCYSHYN
Hamilton, Ontario

JOHN I. QUINN
Windsor, Ontario

HARRY TAYLOR
Ottawa, Ontario

Special Management

DONALD H. BLAIR
Director of Labour Relations

ERVIN F. CAVEN
Director of Personnel

LARRY C. GEE
Director of Distribution Services

STANLEY P. GIBSON
Director of General Merchandise

JAMES A. MUNRO
Director of Real Estate

WILLIAM D. ROBERTS
Director of Audit Services

JAMES B. WILLIAMS
Director of Corporate Planning

ANNUAL REPORT TO SHAREHOLDERS

The fiscal year operations covered in this Annual Report resulted in your Company reaching a pre-eminent position of industry sales exceeding \$2 billion. In the 52 weeks ended March 19, 1977, sales amounted to \$2,026,488,000 for an increase of \$112,502,000, or 5.88%. This performance represents the largest sales achieved by any retailer, in a single year, in the history of Canada.

For the fiscal year ended March 19, 1977 sales averaged \$100,000 per week per store, during a period when an acceleration in competitive activity was clearly demonstrated.

Net earnings for the year were \$16,198,000 or \$1.90 per share compared with \$20,437,000 or \$2.40 per share in the previous year. The intense competition in the marketplace, combined with the deflationary trend in food prices during 1976, along with the countervailing force of continuing inflation on operating costs, contributed to the decline in earnings for the year.

The marked decline in "food at home" prices during the fiscal year was largely brought about by the aggressive and persistent price competition which voluntarily prevailed in the retail food industry, on a national and regional basis. During the fiscal year prices of food consumed at home represented in the Consumer Price Index, advanced 3/10ths of 1%; while the Index for all items increased 6.9%. It dramatizes the ability of the retail food industry to bring effective control to their sector of the economy—to the benefit of all Canadians.

As the year drew to a close, however, substantial numbers of cost increases from supply sources were experienced. Despite this, your Company will continue to maintain the lowest possible prices—the single most important factor in our ability to retain and increase our large consumer franchise.

The responsibility of industry leadership was reflected in many areas of the Company's operations. For instance, volume per store and sales per square foot again achieved records, testifying to the abilities, varied talents and performance of Dominion people.

The trend to larger stores offering the consumer a wider presentation of products, services and conveniences continued in the past year. The average ground floor area of these stores as well as stores in the planning stages this year, is in excess of 30,000 square feet.

The cost of doing business, within the framework of an uncertain and sensitive economy, continued to be a

major preoccupation of your Company Management. Efficient methods for controlling fixed costs combined with measures for productivity improvement, are constantly being studied and applied.

In the fiscal year increased cost pressures were experienced in several major operational categories, namely—employees' salaries and benefits which increased almost 10%; municipal taxes which rose by 15%; energy where a 28% increase was registered. Additionally, there were substantial increases in the costs of general services for existing and new facilities. Within the limits of providing the necessary modern techniques of plant and store presentation, efficient and speedy transportation of products to store facilities and a comfortable shopping environment, your Company energy conservation programme will continue to strive for efficient control of all sources of energy.

The rate of return of net earnings per dollar of sales for last fiscal year was 8/10ths of a cent. For the past ten years it has averaged one cent per dollar. This low rate of return continues to be less than satisfactory in view of the need for funds for the expansion and modernization of the Company's retail and distribution facilities and to provide a fair return to the shareholders.

In today's economic climate, the need for increased investment by the private sector requires reconsideration to extending to the service industries, the accelerated depreciation factor and the lower income tax rate already made available by the Federal Government to manufacturing and processing industry sectors.

It is incumbent upon the Federal Government to recognize economic policies which will invite and promote optimism in the private sector. A prominent opportunity exists for more stable economic growth in the food industry. In this area, an all-embracing National Food Policy can make an enormous contribution to the cost efficiency and growth of the industry, to the benefit of all Canadians. The leadership of the Federal Government is of crucial importance in the development of such a policy; and the introduction of a paper on Food Strategy for Canada, made in the House of Commons on June 10th, 1977 is a basis for discussion.

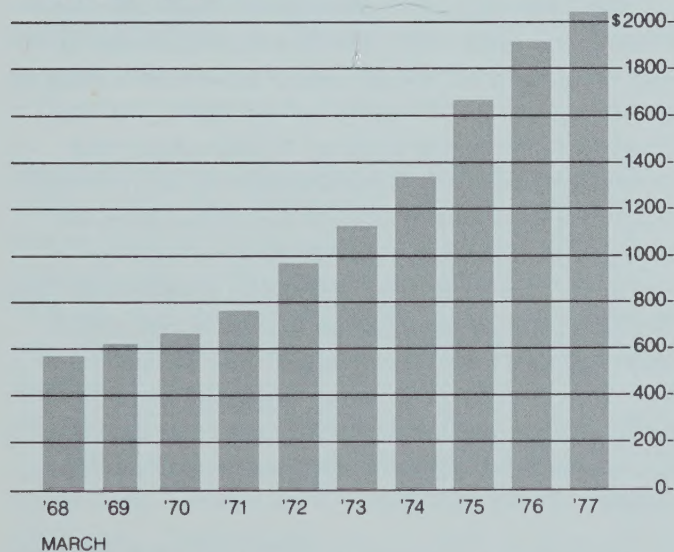
The Anti-Inflation Regulations permitted an increase in the annual dividend in the year from October 1976 to October 1977 of 8% or 7¢ per share. This increase was

combined with the regular dividend of 21¢ per share paid December 15, 1976. Despite this increase, dividends for the fiscal year amounted to 91¢ per share, compared with \$1.01 the preceding year. This reduction is regrettable, particularly for those shareholders who rely on dividends for income.

Your Company's outlook, with respect to the retail food industry is one of optimism. With improved merchandising presentation, continuous careful stress on costs of doing business and further penetration of food distribution opportunities, combined with the dedication of our thousands of employees, the characteristic stability of this industry in maintaining a viable performance in difficult times, all auger well for your Company's continuing level of performance.

Sales

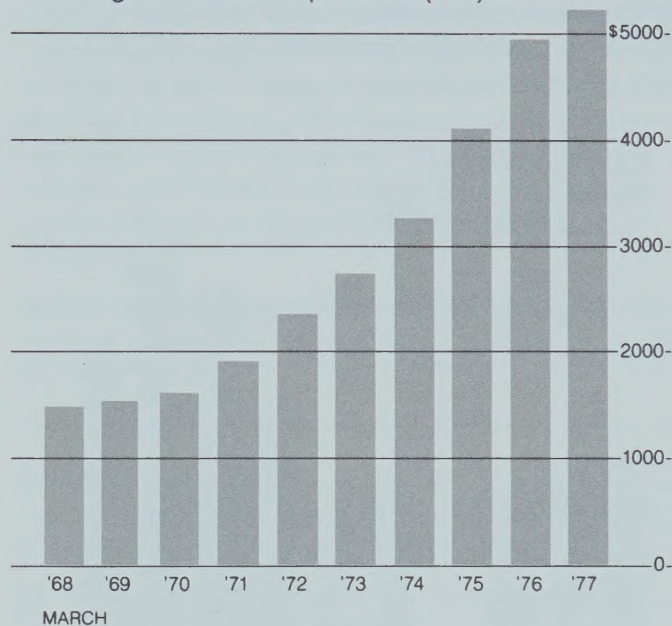
Sales in Millions



Sales for the 52 weeks ended March 19, 1977 amounted to \$2,026,488,000 compared with \$1,913,986,000 in the 52 weeks ended March 20, 1976, an increase of \$112,502,000 or 5.88%.

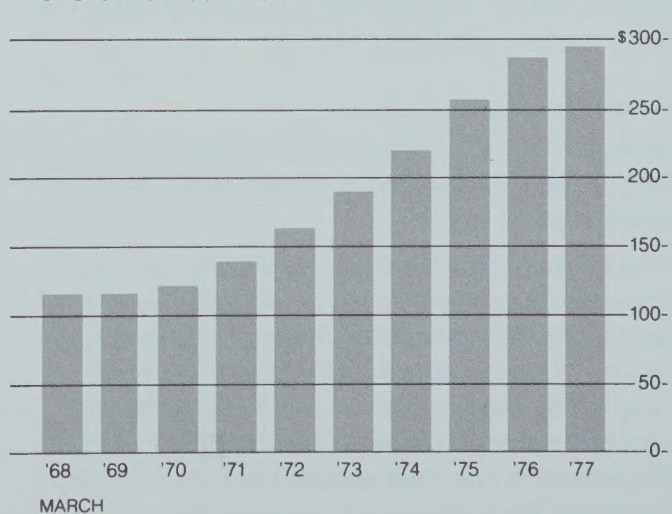
The achievement of this new sales plateau, two billion dollars, is the first time that this mark has been reached by a Canadian retailer, and in particular by a Canadian food retailer.

Average Annual Sales per Store (000)



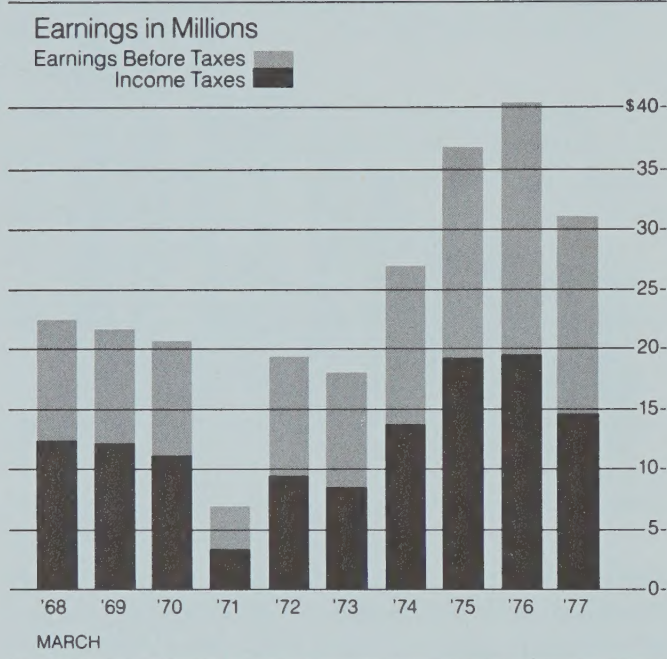
Average sales per store and sales per square foot again increased in the year, reflecting the continuing emphasis on building sales volume to achieve the maximum utilization of space. Annual sales per store averaged \$5.2 million, or \$100,000 per week and sales per square foot of ground floor area reached \$285.

Annual Sales per Square Foot of Ground Floor Area



Earnings

Net earnings for the year were \$16,198,000 or \$1.90 per share, compared with \$20,437,000, or \$2.40 per share, in the previous year.



The ratio of net earnings to sales of 8/10ths of a cent per dollar continues to be less than satisfactory, in the view of your management. Considerable funds are required on a continuing basis for the expansion and modernization of the Company's retail and distribution facilities, as well as providing a fair return to the shareholders, and it is essential that a substantial portion of these funds be generated internally.

Financial Resources

At March 19, 1977 working capital amounted to \$48,123,000 and the ratio of current assets to current liabilities was 1.51 to 1.

After the end of the fiscal year your Company sold to Dominion Securities Limited and associated underwriters \$50,000,000 of 9% Sinking Fund Debentures, Series F. The proceeds from the sale of these debentures will be applied, together with funds generated from operations, to financing the programme of modernization and new store development and to further strengthen the Company's working capital.

Planned Development

Over the past ten years capital expenditures have amounted to \$197,000,000. Most of these funds were generated internally and enabled the Company to open 134 new stores and to update and modernize 198 of its continuing stores.

During the same ten years that these 134 stores were opened, 137 stores were closed. Average store size increased from 13,650 square feet to 18,350 square feet. Average sales per store increased from \$1,500,000 to \$5,200,000 and average sales per square foot increased from \$115 to \$285.

The closing of outdated and obsolescent stores has been and continues to be as much a part of your Company's development philosophy as the opening of the large, modern stores of today.

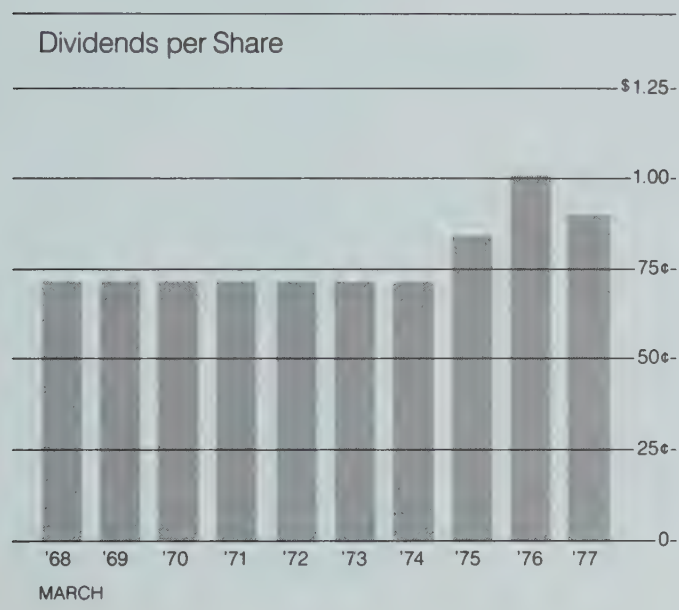
At the end of the fiscal year Dominion had 377 stores in operation. Eight new stores were opened during the year and eighteen outdated stores were closed. Four stores were enlarged and thirty were updated and modernized. The eight stores which were opened during the year added 246,000 square feet of ground floor area, or an average of 30,700 square feet per store. The four enlarged stores added a further 47,000 square feet. The emphasis on new store development will continue to be on large stores capable of accommodating the heavy traffic and high sales volume generated by Dominion's successful merchandising programmes. Sixteen new stores are scheduled to open in the current fiscal year and they will average 31,400 square feet in size. The enlargement of seven stores will add a total of 82,000 square feet in ground floor area. We estimate that capital expenditures in the year will exceed \$35 million.

On March 29th, 1976 your Company and Baine Johnston and Company Limited, of St. John's, Newfoundland, jointly established Donovans Wholesale Limited to supply the Dominion Stores in Newfoundland as well as many institutional and other retail customers.

Study is continuing on the design for a new distribution centre on the island of Montreal. The land for such a centre was purchased during the year.

Shareholders

Dividends paid during the year amounted to 91¢ per share and totalled \$7,750,000. The per share dividend of 91¢ consisted of four regular dividends of 21¢ each plus an extra dividend of 7¢, paid on December 15, 1976.



Shareholders are aware that dividends are restrained under Anti-Inflation Regulations, which do not permit the payment of extra dividends which were paid by your Company prior to the Regulations becoming effective. This has restricted dividends paid in the year to 91¢ per share compared with \$1.01 per share in the previous fiscal year.

The Annual Meeting of Shareholders will be held in the Canadian Room of the Royal York Hotel, 100 Front Street West, Toronto, on Thursday, August 4th, 1977 at 11:00 a.m., Toronto time.

Board of Directors

It is with sorrow that we record the death, on June 30, 1976, of Mr. George M. Black, Jr. Mr. Black, a most distinguished and able Director and member of the Executive Committee since 1963, whose balanced judgment and helpful advice were greatly valued by his fellow directors and by the officers of the Company, was a tower of strength in the growth and progress of your Company.

At the Annual Meeting of Shareholders on August 12th, 1976 Mr. G. Montegu Black III was elected to the Board of Directors.

In Appreciation

The year's achievements would not have been possible without the interest and contribution of our many thousands of employees and the continuing loyalty of our customers. We express our sincere thanks to them. We extend our appreciation also to our many dependable suppliers, to our landlords and to our shareholders for their continuing support.

For the Board of Directors,
JOHN A. McDOUGALD
Chairman of the Board

THOMAS G. BOLTON
*President and
Chief Executive Officer*

CONSOLIDATED STATEMENTS OF EARNINGS AND REINVESTED EARNINGS

CONSOLIDATED STATEMENT OF EARNINGS

	For the years ended	
	March 19, 1977 (52 weeks)	March 20, 1976 (52 weeks)
	<i>(in thousands of dollars)</i>	
Sales	<u>\$2,026,488</u>	<u>\$1,913,986</u>
Cost of goods sold and expenses except those shown below	1,707,647	1,612,078
Employees' salaries and benefits	256,161	233,361
Depreciation	15,568	14,728
Municipal taxes	12,636	10,984
Interest on long-term debt.	4,453	4,588
Other interest	519	229
Investment income	(934)	(2,359)
	<u>1,996,050</u>	<u>1,873,609</u>
Earnings before taxes on income	30,438	40,377
Taxes on income	<u>14,113</u>	<u>19,674</u>
Earnings before minority interest	16,325	20,703
Minority interest	127	266
Net earnings for the year	<u>\$ 16,198</u>	<u>\$ 20,437</u>
Earnings per share (note 4)	<u>\$ 1.90</u>	<u>\$ 2.40</u>

CONSOLIDATED STATEMENT OF REINVESTED EARNINGS

	For the years ended	
	March 19, 1977 (52 weeks)	March 20, 1976 (52 weeks)
	<i>(in thousands of dollars)</i>	
Reinvested earnings, beginning of year	\$ 101,037	\$ 89,196
Net earnings for the year	16,198	20,437
Dividends	(7,750)	(8,596)
Reinvested earnings, end of year	<u>\$ 109,485</u>	<u>\$ 101,037</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	For the years ended	
	March 19, 1977 (52 weeks)	March 20, 1976 (52 weeks)
	(in thousands of dollars)	
Source of Funds		
Net earnings for the year	\$ 16,198	\$ 20,437
Add: Charges not requiring cash outlay—		
Depreciation	15,568	14,728
Deferred income taxes	1,865	945
	<u>33,631</u>	<u>36,110</u>
Less: Income not generating cash—		
Gain on disposal of fixed assets	640	559
Income from investment in effectively controlled company (note 1)	245	552
	<u>885</u>	<u>1,111</u>
Funds generated from operations	32,746	34,999
Proceeds from disposal of fixed assets.	1,587	1,170
Minority interest	127	266
Decrease (increase) in mortgages and other investments.	845	(61)
Proceeds from shares issued under the stock option plan (note 4)	37	57
	<u>35,342</u>	<u>36,431</u>
Use of Funds		
Investment in fixed assets	30,910	26,773
Dividends	7,750	8,596
Reduction of long-term debt	863	2,303
	<u>39,523</u>	<u>37,672</u>
DECREASE IN WORKING CAPITAL.	4,181	1,241
WORKING CAPITAL—BEGINNING OF YEAR	<u>52,304</u>	<u>53,545</u>
WORKING CAPITAL—END OF YEAR.	\$ 48,123	\$ 52,304

CONSOLIDATED BALANCE SHEET AS AT MARCH 19, 1977

	March 19, 1977	March 20, 1976
	<i>(in thousands of dollars)</i>	
Assets		
CURRENT:		
Cash	\$ 10,295	\$ 6,108
Short-term investments	—	8,750
Accounts receivable	8,174	7,967
Mortgages receivable	709	409
Merchandise (note 1)	121,449	111,232
Prepaid expenses	1,418	1,447
Deferred income taxes	274	789
	<u>142,319</u>	<u>136,702</u>
MORTGAGES AND OTHER INVESTMENTS—at cost.	<u>434</u>	<u>1,279</u>
INVESTMENT IN AN EFFECTIVELY CONTROLLED COMPANY (note 1)	<u>3,312</u>	<u>3,067</u>
FIXED ASSETS (note 1):		
Store, warehouse and office equipment	175,899	154,572
Buildings and leasehold improvements	60,545	56,331
	<u>236,444</u>	<u>210,903</u>
Less: Accumulated depreciation	113,767	98,785
	<u>122,677</u>	<u>112,118</u>
Land	13,616	9,780
	<u>136,293</u>	<u>121,898</u>
	<u>\$282,358</u>	<u>\$262,946</u>

Liabilities

CURRENT:

	March 19, 1977	March 20, 1976
	<i>(in thousands of dollars)</i>	
Accounts payable and accrued expenses	\$ 90,780	\$ 71,859
Income and sundry taxes	2,065	10,286
Current portion of long-term debt (note 3)	1,351	2,253
	<u>94,196</u>	<u>84,398</u>
DEFERRED INCOME TAXES	11,370	9,505
LONG-TERM DEBT (note 3).	44,750	45,613
MINORITY INTEREST	1,174	1,047
	<u>151,490</u>	<u>140,563</u>

Shareholders' Equity

CAPITAL STOCK (note 4):

Authorized—20,000,000 common shares without nominal or par value.		
Issued and fully paid— 8,516,596 shares (1976—8,513,841 shares)	21,383	21,346
REINVESTED EARNINGS	<u>109,485</u>	<u>101,037</u>
	<u>130,868</u>	<u>122,383</u>
	<u>\$282,358</u>	<u>\$262,946</u>

Signed on behalf of the Board—

JOHN A. McDOUGALD, T. G. BOLTON

Directors

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Principles of consolidation—

The accompanying financial statements consolidate the accounts of Dominion Stores Limited and all its subsidiaries.

(b) Investment in an effectively controlled company—

The equity method of accounting has been used to account for the investment in the effectively controlled company.

(c) Merchandise—

Merchandise is located at both stores and warehouses. These inventories have been valued at the lower of cost and market. The term "market" as it applies to store inventories means "net realizable value" and to warehouse inventories "replacement cost".

(d) Fixed assets—

Fixed assets (including significant renewals and betterments) are capitalized at cost. Provisions for depreciation are determined on a straight-line basis over the estimated useful lives of the assets as follows:

Store, warehouse and office equipment	3 to 10 years
Buildings	40 years
Leasehold improvements	term of lease

2. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

In the fiscal year ended in 1977 the Company had twelve directors (1976—twelve) and thirteen senior officers (1976—thirteen) four of whom were also directors. The aggregate remuneration of directors as such was \$66,000 (1976—\$65,000) and of senior officers as such was \$1,461,000 (1976—\$1,306,000).

3. LONG-TERM DEBT

	March 19, 1977 \$	March 20, 1976 \$
Redeemable sinking fund debentures		
5½% Series "C"— maturing December 1, 1976	—	1,841,500
9¾% Series "D"— maturing December 1, 1990	20,000,000	20,000,000
9½% Series "E"— debentures maturing March 1, 1980	25,000,000	25,000,000
Mortgages payable bearing interest at rates ranging from 6¾% to 8½%	1,101,489	1,024,600
	46,101,489	47,866,100
Deduct: current portion included in current liabilities.	1,351,416	2,252,970
	<u>44,750,073</u>	<u>45,613,130</u>

The principal amounts remaining to be paid in the next five fiscal years are:

Fiscal years ending March 1978	\$ 1,351,000
1979	1,228,000
1980	26,228,000
1981	1,172,000
1982	1,174,000

4. STOCK OPTION PLAN

Pursuant to an employees' stock option plan adopted by the Company on August 26, 1969, 121,433 unissued common shares of the Company are reserved as at March 19, 1977. During the year 2,755 shares were issued for cash of \$37,162 upon exercise of stock options granted. Of the options granted to date, the following remain to be exercised (including options on 76,599 shares to senior officers, three of whom are also directors):

Number of shares	Option price \$	Expiry date
90,025	14.13	November 18, 1978
29,999	17.50	April 22, 1980

The exercise of these options would have no material effect on the reported earnings per share.

AUDITORS' REPORT TO THE SHAREHOLDERS

5. LONG-TERM LEASES

The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first, for each of the periods shown below, is as follows:

	March 19, 1977 \$	March 20, 1976 \$
Within 10 years.	181,455,000	165,861,000
Within the next 5 years	64,631,000	59,708,000
Within the following		
5 years	40,311,000	39,078,000
Within the remainder of		
the term.	<u>19,009,000</u>	<u>17,698,000</u>
	<u>305,406,000</u>	<u>282,345,000</u>
Minimum annual		
rentals payable		
under such leases		
are	<u>23,578,000</u>	<u>21,095,000</u>

Certain leases contain an option to cancel. Should the company exercise these options, it could be required to purchase the related properties.

6. PENSION PLAN

As of January 1, 1977, the estimated unfunded liability amounted to approximately \$25,210,000 of which approximately \$11,600,000 has vested with employees of the Company. This liability is being funded over 13 years by means of annual payments of approximately \$2,636,000. These payments are being charged against operations in the year in which they are made.

7. ANTI-INFLATION ACT

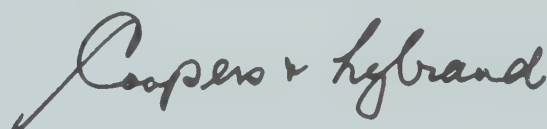
The Company is subject to restraint of profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975.

Coopers & Lybrand
Chartered Accountants

145 King Street West
Toronto, Ontario

We have examined the consolidated balance sheet of Dominion Stores Limited as at March 19, 1977 and the consolidated statements of earnings, reinvested earnings and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 19, 1977 and the results of its operations and the changes in its financial position for the fiscal year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS

April 14, 1977.

TEN YEAR FINANCIAL SUMMARY

(dollars in millions)

As at fiscal years ended March:	<u>1977</u>	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>
TOTAL ASSETS	<u>\$282.4</u>	<u>\$262.9</u>	<u>\$240.8</u>	<u>\$197.5</u>	<u>\$168.9</u>	<u>\$165.5</u>	<u>\$157.0</u>	<u>\$136.0</u>	<u>\$126.3</u>	<u>\$116.1</u>
CURRENT ASSETS	\$142.3	\$136.7	\$126.6	\$ 94.5	\$ 76.7	\$ 76.2	\$ 69.1	\$ 56.1	\$ 51.2	\$ 51.5
CURRENT LIABILITIES	<u>94.2</u>	<u>84.4</u>	<u>73.1</u>	<u>66.6</u>	<u>44.7</u>	<u>46.1</u>	<u>42.0</u>	<u>37.7</u>	<u>32.5</u>	<u>25.8</u>
WORKING CAPITAL	<u>\$ 48.1</u>	<u>\$ 52.3</u>	<u>\$ 53.5</u>	<u>\$ 27.9</u>	<u>\$ 32.0</u>	<u>\$ 30.1</u>	<u>\$ 27.1</u>	<u>\$ 18.4</u>	<u>\$ 18.7</u>	<u>\$ 25.7</u>
Working Capital Ratio	1.5	1.6	1.7	1.4	1.7	1.7	1.6	1.5	1.6	2.0
OTHER ASSETS	\$ 3.8	\$ 4.3	\$ 3.7	\$ 3.4	\$ 3.8	\$ 3.9	\$ 3.8	\$ 1.5	\$ 1.1	\$ 1.2
NET FIXED ASSETS	136.3	121.9	110.5	99.6	88.4	85.4	84.1	78.4	74.0	63.4
DEFERRED INCOME TAXES	11.4	9.5	8.5	7.6	7.4	7.2	6.3	5.5	4.7	4.0
MINORITY INTEREST	1.2	1.0	.8	—	—	—	—	—	—	—
LONG-TERM DEBT (excludes current portion).	<u>44.7</u>	<u>45.6</u>	<u>47.9</u>	<u>25.3</u>	<u>26.3</u>	<u>26.7</u>	<u>28.2</u>	<u>9.1</u>	<u>10.1</u>	<u>11.0</u>
SHAREHOLDERS' EQUITY	<u>\$130.9</u>	<u>\$122.4</u>	<u>\$110.5</u>	<u>\$ 98.0</u>	<u>\$ 90.5</u>	<u>\$ 85.5</u>	<u>\$ 80.5</u>	<u>\$ 83.7</u>	<u>\$ 79.0</u>	<u>\$ 75.3</u>
Accounted for as follows—										
Capital stock	\$ 21.4	\$ 21.4	\$ 21.3	\$ 18.9	\$ 18.7	\$ 17.0	\$ 15.8	\$ 15.7	\$ 15.7	\$ 15.7
Reinvested earnings	\$109.5	\$101.0	\$ 89.2	\$ 79.1	\$ 71.8	\$ 68.5	\$ 64.7	\$ 68.0	\$ 63.3	\$ 59.6
NUMBER OF SHARES OUTSTANDING (000 Omitted).	8,517	8,514	8,510	8,319	8,308	8,174	8,078	8,077	8,073	8,073
NUMBER OF SHAREHOLDERS. . .	7,315	7,495	7,797	8,474	9,191	10,518	11,748	11,305	11,158	11,241
CAPITAL EXPENDITURES.	\$ 30.9	\$ 26.8	\$ 25.8	\$ 24.4	\$ 13.8	\$ 14.5	\$ 16.3	\$ 15.3	\$ 18.3	\$ 10.6

TEN YEAR STATEMENT OF EARNINGS

(dollars in millions)

For the fiscal years ended March:	1977	1976	1975	1974*	1973	1972	1971	1970	1969	1968*
SALES	<u>\$2,026.5</u>	<u>\$1,914.0</u>	<u>\$1,649.5</u>	<u>\$1,320.7</u>	<u>\$1,112.2</u>	<u>\$953.7</u>	<u>\$768.5</u>	<u>\$651.6</u>	<u>\$602.9</u>	<u>\$584.2</u>
COST OF GOODS SOLD AND EXPENSES										
Cost of goods sold and expenses except those shown below	\$1,707.6	\$1,612.1	\$1,387.7	\$1,111.0	\$ 933.6	\$801.1	\$644.0	\$530.3	\$492.6	\$480.4
Employees' salaries and benefits	256.2	233.4	200.5	161.7	140.7	115.0	101.1	86.4	76.5	69.5
Depreciation	15.6	14.7	12.3	10.8	10.1	9.4	8.6	7.9	6.8	6.7
Municipal taxes	12.6	11.0	8.9	7.9	7.8	6.8	6.4	5.4	5.1	4.7
Interest on long-term debt. . .	4.5	4.6	2.4	2.3	2.3	2.4	1.0	.5	.5	.6
Other interest. . . . .	.5	.2	2.0	.6	.2	.2	1.0	1.1	.3	.1
Investment income. . . . .	.9	2.4	.6	.4	.3	.3	.3	.3	.3	.3
	<u>\$1,996.1</u>	<u>\$1,873.6</u>	<u>\$1,613.2</u>	<u>\$1,293.9</u>	<u>\$1,094.4</u>	<u>\$934.6</u>	<u>\$761.8</u>	<u>\$631.3</u>	<u>\$581.5</u>	<u>\$561.7</u>
EARNINGS BEFORE TAXES										
ON INCOME	\$ 30.4	\$ 40.4	\$ 36.3	\$ 26.8	\$ 17.8	\$ 19.1	\$ 6.7	\$ 20.3	\$ 21.4	\$ 22.5
Per dollar of sales	1.50¢	2.10¢	2.20¢	2.03¢	1.60¢	2.00¢	.87¢	3.12¢	3.55¢	3.86¢
TAXES ON INCOME	\$ 14.1	\$ 19.7	\$ 19.2	\$ 13.5	\$ 8.5	\$ 9.5	\$ 3.4	\$ 11.0	\$ 11.9	\$ 12.0
Per dollar of sales . . . . .	.70¢	1.03¢	1.16¢	1.02¢	.76¢	1.00¢	.44¢	1.69¢	1.97¢	2.06¢
MINORITY INTEREST	\$.1	\$.3	\$.1	—	—	—	—	—	—	—
Per dollar of sales	—	.01¢	.01¢	—	—	—	—	—	—	—
NET EARNINGS	\$ 16.2	\$ 20.4	\$ 17.0	\$ 13.3	\$ 9.3	\$ 9.6	\$ 3.3	\$ 9.3	\$ 9.5	\$ 10.5
Per dollar of sales . . . . .	.80¢	1.06¢	1.03¢	1.01¢	.84¢	1.00¢	.43¢	1.43¢	1.58¢	1.80¢
Per share	\$ 1.90	\$ 2.40	\$ 2.02	\$ 1.60	\$ 1.12	\$ 1.18	\$.41	\$ 1.15	\$ 1.17	\$ 1.30
DIVIDENDS	\$ 7.8	\$ 8.6	\$ 6.9	\$ 5.9	\$ 5.9	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.8
Per share	\$.91	\$ 1.01	\$.82	\$.72	\$.72	\$.72	\$.72	\$.72	\$.72	\$.72
NUMBER OF EMPLOYEES										
—full time	11,976	11,974	11,907	11,054	11,194	10,498	10,381	9,664	9,231	9,066
—part time	12,654	12,844	12,844	11,580	11,319	10,684	10,230	8,706	7,935	7,798
	<u>24,630</u>	<u>24,818</u>	<u>24,751</u>	<u>22,634</u>	<u>22,513</u>	<u>21,182</u>	<u>20,611</u>	<u>18,370</u>	<u>17,166</u>	<u>16,864</u>
STORES OPENED	8	10	13	12	4	19	18	20	17	13
STORES CLOSED	18	14	16	19	6	13	19	11	9	12
STORES AT YEAR END . . .	377	387	391	394	401	403	397	398	389	381
GROUND FLOOR AREA IN SQUARE FEET (000)	6,918	6,790	6,518	6,254	6,060	5,990	5,730	5,606	5,270	5,204

*53 Weeks



DOMINION STORES LIMITED
Incorporated under the laws of Canada

Head office:

605 Rogers Road, Toronto, Ontario
M6M 1B9 (416) 652-2000

District Offices:

St. John's, Nfld.	Toronto, Ont.
Halifax, N.S.	Hamilton, Ont.
Saint John, N.B.	Windsor, Ont.
Quebec, Que.	Sudbury, Ont.
Montreal, Que.	Winnipeg, Man.
Ottawa, Ont.	

**Board of Directors—
Affiliations**

JOHN A. McDOUGALD

*Chairman of the Board and
Chairman of the Executive Committee—
Dominion Stores Limited*

*Chairman of the Board and President—
Argus Corporation Limited*

*Chairman of the Executive Committee and
Vice-President—
Hollinger Mines Limited*

*Chairman of the Executive Committee and
Director—
Massey-Ferguson Limited*

*Vice-President, Director and
Member of the Executive Committee—
Canadian Imperial Bank of Commerce*

THOMAS G. McCORMACK

*Deputy Chairman—
Dominion Stores Limited*

*Director—
Argus Corporation Limited
Crown Trust Company*

THOMAS G. BOLTON

*President and Chief Executive Officer—
Dominion Stores Limited*

LEWIS H. M. AYRE

*Chairman of the Board—
Ayre and Sons Limited
Northlantic Fisheries Limited
The Newfoundland Telephone Co. Ltd.*

*Director—
The Bank of Nova Scotia*

ALEX E. BARRON

*Chairman of the Board—
Canadian Tire Corporation Limited*

*Director—
London Life Insurance Company
The Canada Trust Company*

STEWART G. BENNETT

Corporate Director

G. MONTEGU BLACK

*Vice-President—
Dominion Securities Limited*

*Director—
The Canadian Indemnity Company Limited*

PIERRE PAUL DAIGLE

*Vice-President—
City National Leasing Limited*

*Director—
Confederation Life Insurance Company
Goodyear Canada Inc.
Hilton Canada Limited
International Paints (Canada) Limited
Warner-Lambert Canada Limited*

A. BRUCE MATTHEWS

*Director and Chairman of the
Executive Committee—
Canada Permanent Trust Company*

*Chairman of the Board—
Dome Mines Limited*

*Executive Vice-President—
Argus Corporation Limited*

MAXWELL C. G. MEIGHEN

*Chairman of the Board—
Canadian General Investments Limited
Domtar Limited*

ANDRE MONAST, Q.C.

*Partner—
St. Laurent, Monast, Walters & Vallières*

*Director—
Canadian Imperial Bank of Commerce
IBM Canada Limited
Noranda Mines Limited
Canada Cement Lafarge Limited*

MITCHELL L. WASIK

*Secretary—
Dominion Stores Limited*

Gearing to Changing Life Styles

- Shopping Centres at the hub
- Researching consumer preferences
- Store decor compatible with area
- A proper merchandising mix for each store

Jadis Shopping Centre, Charlesbourg, P.Q.

New Regent Mall Dominion, Fredericton, N. B.



Increasingly, the bright modern shopping centres of Canada are the meeting place for the mosaic of active young Canadian families and senior citizens alike. Their appeal of pleasing design, vast parking facilities and expansive malls enhance the shopping experience. Specialty shops, boutiques, theatres, banks plus a myriad of other complementary shopping needs, blend to bring Canadians, facilities which are second to none.

For many years, Dominion has been at the forefront of this shopping evolution with conceptual store design, modern decor and the latest equipment compatible with the overall surroundings of the individual shopping complex. Continuing and in-depth research programmes, designed to identify each trading area's content results in store facilities, special food preferences and other services essential to the community.

And the new technology of modern food distribution techniques has long been in place at Dominion—

including electronic cash registers and computerized store ordering terminals, which assist to constantly measure the individual consumer demand of product preference. The success of Dominion Stores lies in stocking the quality products shoppers want, when they want them, at consistently low everyday prices.

Sound Merchandising Practices

- Largest industry order ever placed
- Keen buying assures 'right' presentation
- Dominion's-own Brands now number over 500
- Everyday low prices—a continuing policy

Daily Internal Dialogue—a prerequisite

Dominion's-own Brands now exceed 500 Varieties and Sizes



Last year, Dominion itself bought the biggest grocery order in the country, for our customers. In fact, the size of the order we placed with the thousands of products we carry, amounted to well over 1.5 billion dollars—a record for us, a record in the industry! The complexity of selecting and stocking an ever-increasing number of products requires the considerable buying expertise and keen perception of market trends by literally hundreds of back-stage Dominion personnel.

It takes keen judgment too, to select from among the several hundred new products presented to our buyers each year, those which will gain fast public acceptance by our customers. Insistence on high quality, value and pricing which assists our "Everyday Low Price" policy, are basic criteria to the buying function. It takes buying specialists of varied experience to purchase the meats, produce, dairy, grocery, bakery, health and beauty and related products. Our specialists are among the industry's best.

Dominion's-own Company Brands, now numbering over 500 varieties and sizes are among the most popular brands, in our stores. For many thousands of consumers our famous Symbol 'D' on the label is the mark of extra value, high quality and low price which they have come to expect. And there are more Dominion brands to come!

Information and Nutritional Guidelines Contribute

- 5 Home Economists provide expertise
- Consumer research invaluable guide
- Internal Communications gives insight
- Consumer Councils—a link for merchandisers

Community Involvement Keeps Pace



Home Economists Provide Consumer Guidelines



During the past year Dominion expanded its services to customers in the field of Home Economics and Nutrition. The Company's full-time staff of Home Economists now numbers five capable highly qualified women, three of whom are resident employees of our stores in St. Jerome, Quebec, Square One Shopping Centre, Mississauga, Ontario and Ellesmere Road, Scarborough, Ontario.

Together with Staff Home Economists located in the Toronto and Montreal offices, their assignment

covers many facets of consumer education, including over 360 speaking engagements to women's groups during the past year. In addition to the store-level assignment, the watchful eye of these experts assists the merchandising and operating divisions, as well as Senior Management, to identify consumer perceptions of product use, quality, value and price.

"Staying in touch" with consumer needs and with the Community as a whole has long been a Dominion priority. Coupled with extended and formalized consumer research projects, as well as a vast chain-

wide channel of internal communications, our planning program clearly identifies problem areas—opportunities and solutions. In addition, our Consumer Councils continue to expand throughout the chain, with their input of shopper attitudes and perceptions of Dominion's overall program. Community projects, such as special shopping facilities for the handicapped in some areas, as well as special bus conveniences on test for senior citizens, typify Dominion's practical interest in the community around us.

Well laid plans come first

- Diversified back-stage planning essential
- The latest methods of Management development
- Close grip on market trending
- Contributing to a rewarding future

Information flow—essential to precise programmes

Evaluation, planning and training—key to success



In the many departments at Head Office, as well as in Regional offices throughout the chain, a continuous cycle of conceptualizing, planning and idea exchange takes place on a daily basis. From Real Estate and Research through to Advertising and Personnel Training, various levels of Management provide sound interpretation on which future development of the Company franchise is based.

A highly sophisticated computerization of information flow brings precision to the many staff assignments serving the complex and closely integrated functions of modern-day food distribution. At all times, Dominion has a clear "read-out" on the trends in the chain-wide marketplace.

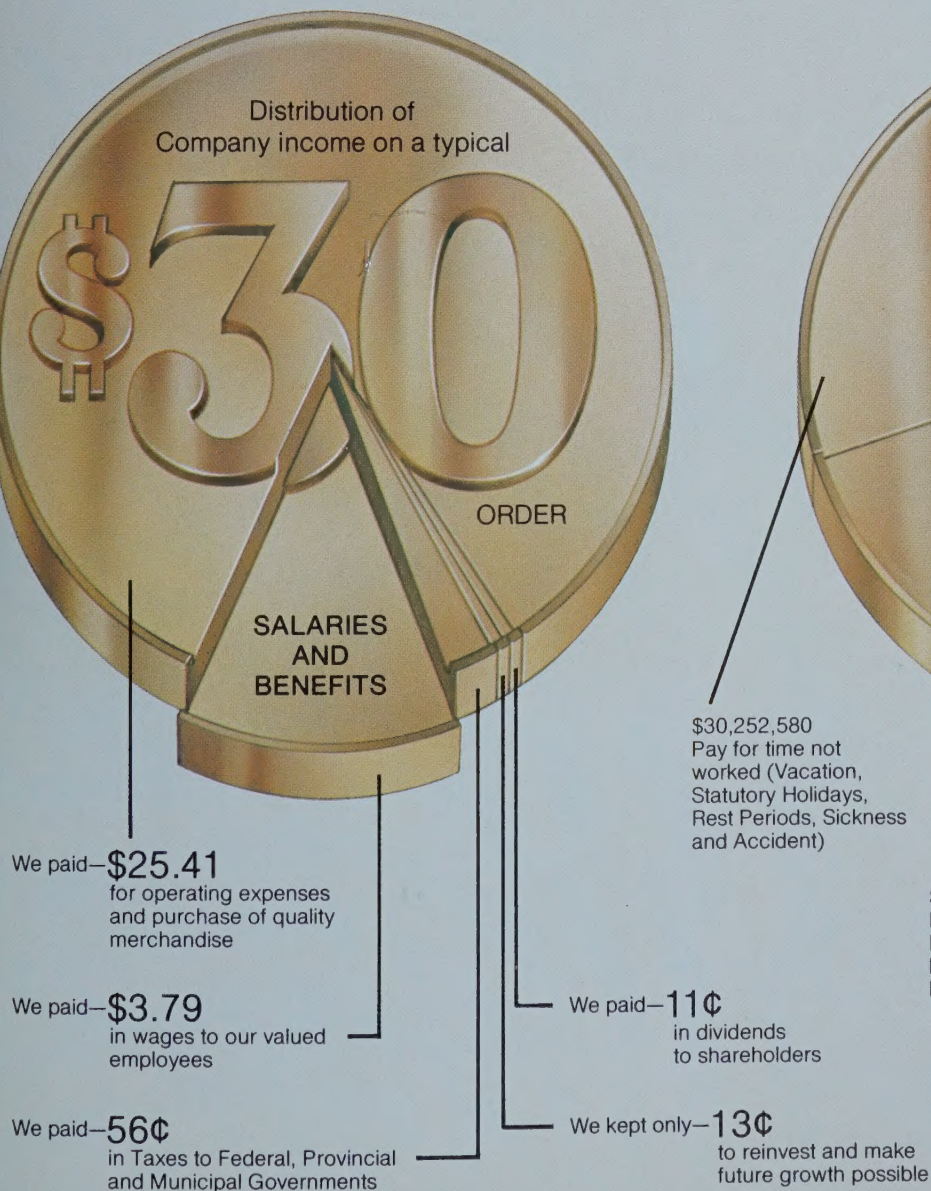
Although behind the scenes of our vast network of stores, the people in our offices and plants contribute equally to the position of leadership which Dominion enjoys. It is this remarkable blending of talented people, which makes Dominion, Dominion. The great future of the Company belongs to them—along with the personal satisfaction, sense of security and purpose which stems from a job well done.

Employees Share in Corporate Development

Last fiscal year, Dominion sales reached a record plateau of over 2 billion dollars (\$2,026,488,000), representing the single largest sales performance of a Canadian retailer.

It is important for all employees to understand what distribution was made of these sales dollars. The chart illustrated below, is a simple breakout of the actual total sales. It shows where the money we take in on a typical \$30.00 food order goes. After paying \$25.41 to our suppliers for this example order, only \$4.35 is left with which to pay the wages to our valued employees and taxes to Governments, leaving only 11 cents for dividends to shareholders and 13 cents for investment and future growth. Sales and productivity on the job are fundamental to the Company's ability to meet its many financial obligations to our shareholders whose investment makes the Company possible; to employees and their families.

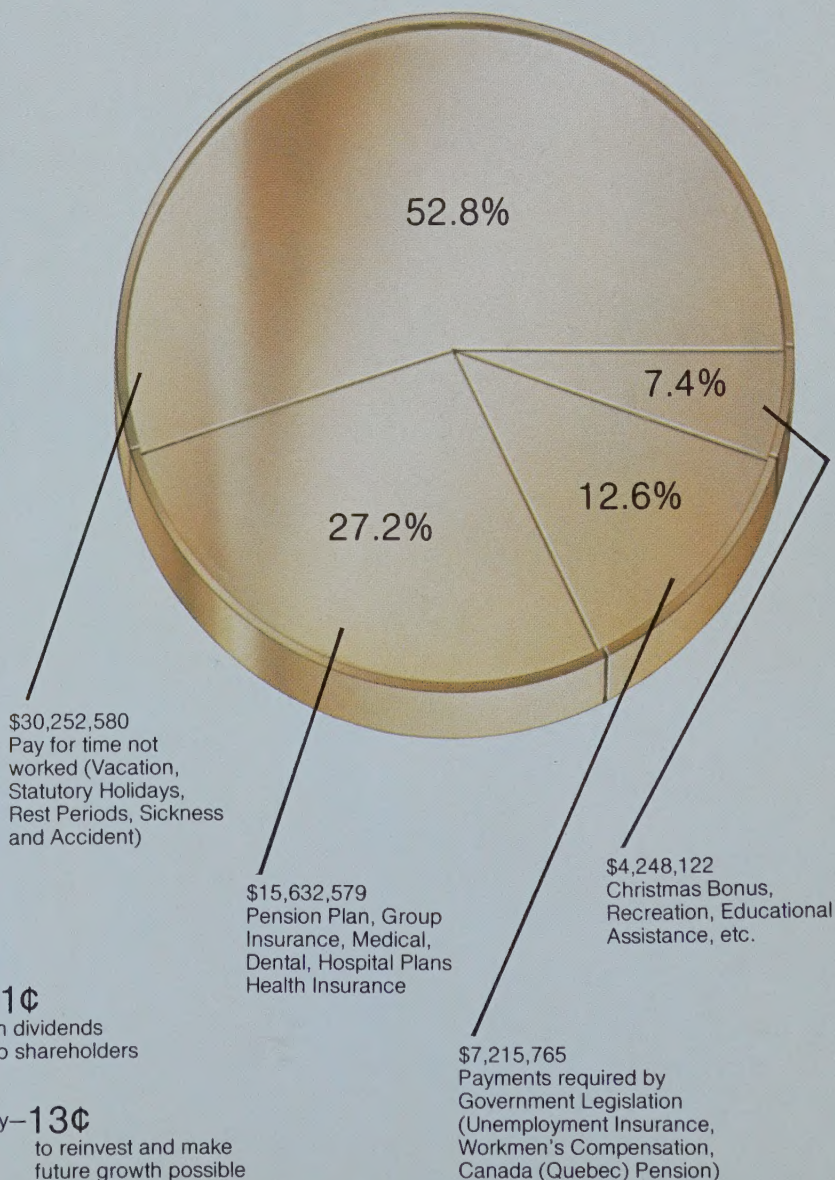
Distribution of
Company income on a typical



Employees enjoy Company Financial Benefits

The Employee Benefit Dollar rose from \$51,960,849. last year to \$57,349,046. this year—and was applied as shown on the chart below. It is clearly seen that the basic rate of pay is only part of the total compensation and benefit package, shared by each Dominion employee and family. This, in addition to the fact that the total wage and benefit package over the last 10 years, has grown from \$69.5 million in 1967 to \$256.2 million last fiscal year (an increase of 268%), demonstrates the Company's constant aim to provide a satisfactory standard of living for all employees. Benefits alone grew from \$13.1 million to \$57.3 million in the same period—an increase of 337%.

The Employee Benefit Dollar rose from \$51,960,849. last year to \$57,349,046. this year and was applied, as follows:





THE AIM of Dominion Stores Limited is to fulfill with ever-increasing efficiency its responsibility as a distributor of food, thereby performing a satisfactory service to the consumer, producer, manufacturer and processor; to discharge its responsibility to shareholders whose investment makes the company possible, and to provide its employees with a satisfactory living under the best possible conditions.

DOMINION STORES LIMITED